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HOW MUCH DEBT CAN A  
DAIRY COW CARRY?

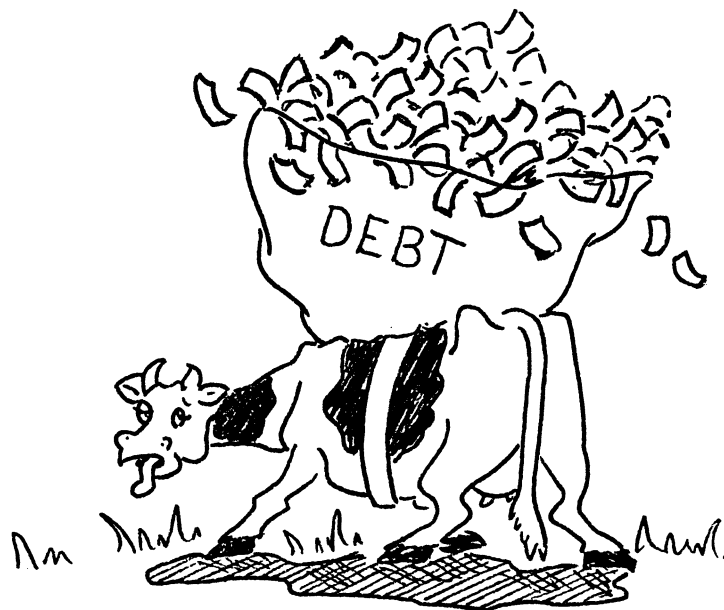
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GUIDELINES AND RESOURCE MATERIALS  
FOR EDUCATIONAL MEETINGS

BY  
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FARM MANAGEMENT

PREPARED FOR 1982 O.S.U. DAIRY DAY  
WOOSTER, OHIO. JUNE 18, 1982



HOW MUCH DEBT CAN A COW CARRY?

OFTEN ASKED

DIFFICULT TO ANSWER

WRONG QUESTION

FAMILY LIVING COSTS?

MILK PRICES?

GRAIN PRICES?

ACRES OF CROPS?

ENERGY PRICES?

CHEMICAL COSTS?

REPAIR COSTS?

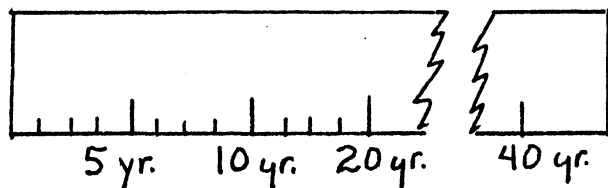
FERTILIZER PRICES?

PRODUCTION/COW?



IT'S DIFFICULT TO ACCURATELY

ESTIMATE CASH FLOW



LENGTH OF LOAN

%

INTEREST RATE

↑/=↓ Payments |

TYPE OF LOAN

L O N G

INTERMEDIATE

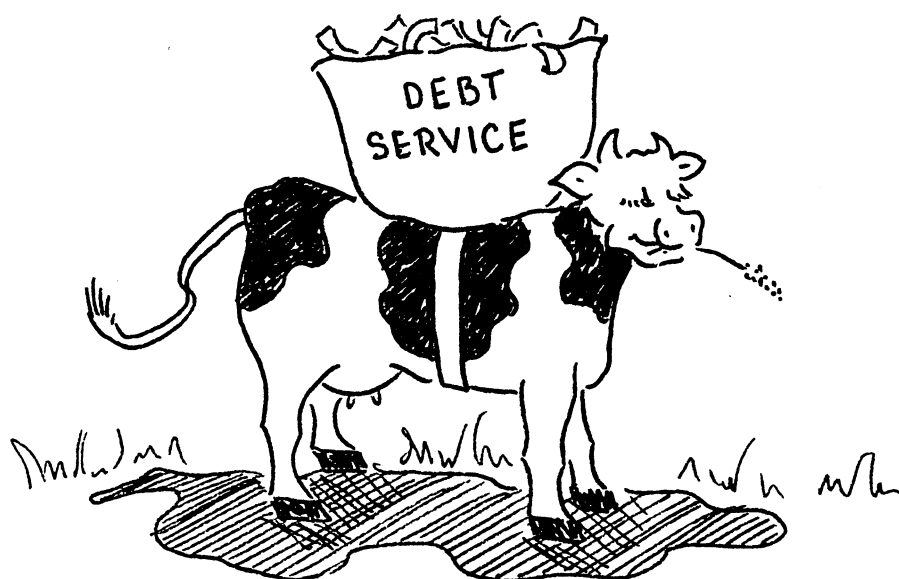
SHORT

STRUCTURE

TERMS AND STRUCTURE OF DEBT

AFFECT AMOUNT THAT

A COW CAN CARRY



A MORE MEANINGFUL QUESTION:  
"HOW MUCH DEBT SERVICE CAPACITY  
DOES A COW HAVE?"

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## DEBT REPAYMENT CAPACITY

### I. BUDGETING APPROACHES

#### A. DAIRY COW BUDGET

-- A LA DON PRITCHARD

#### B. DAIRY FARM BUDGET

-- A LA ALLAN LINES

### II. FARM RECORD ANALYSES

--A LA RICHARD DUVICK

ESTIMATED DEBT REPAYMENT CAPACITY PER COW  
DAIRY COW BUDGET  
OHIO--1982

ITEM	DHI MILK PRODUCTION (POUNDS)*		
	13,000	15,000	17,000
CASH RECEIPTS	\$1945	\$2215	\$2485
CASH EXPENSES			
VARIABLE	1043	1161	1291
COW REPLACEMENT	320	416	512
LABOR	270	270	270
BLDG/EQUIP	14	14	14
TOTAL	\$1647	\$1861	\$2097
CASH TO SERVICE DEBT			
PER YEAR	\$298	\$354	\$398
PER MONTH	25	30	33
% OF MILK CHECK	18%	18%	18%

\* SELL 95% OF DHI PRODUCTION

ESTIMATED DEBT SERVICE ABILITY PER COW  
DAIRY FARM BUDGET  
OHIO--1982

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CASH RECEIPTS

MILK SOLD <sup>1</sup>	\$ 1938
COWS / CALVES / MISC	222
TOTAL	\$ 2160

CASH EXPENSES

CATTLE ( 1 COW -- 1 HEIFER )	\$ 901
CROPS ( 3 A. PER COW ) <sup>2</sup>	478
LABOR	419
TOTAL	\$ 1798

CASH TO SERVICE DEBT

PER YEAR	\$ 362
PER MONTH	30
% OF MILK CHECK	19%

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<sup>1</sup> 14,250 POUNDS SOLD / COW

<sup>2</sup> 1.5 ACRE OF EACH -- CORN SILAGE / ALFALFA HAY



DAIRY FARM DEBT SERVICE CAPACITY  
OSU FARM RECORD PROJECT  
OHIO--1981

ITEM	HERD SIZE		
	UNDER 40	40 - 79	80 OR MORE
CASH RECEIPTS	\$ 65,635	\$ 117,011	\$ 214,767
+ CAPITAL GAIN <sup>1</sup>	5,542	7,497	8,984
- CASH EXPENSES <sup>2</sup>	47,259	89,331	163,830
+ INTEREST PAID	2,367	4,755	6,432
- FAMILY LIVING	15,729	20,056	33,206
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= CASH TO SERVICE DEBT			
TOTAL FARM	\$ 10,556	\$ 19,876	\$ 34,147
PER COW			
PER YEAR	\$ 324	\$ 353	\$ 347
PER MONTH	\$ 27	\$ 29	\$ 29
% MILK CHECK	18%	19%	18%

DAIRY FARMS DEBT SERVICE CAPACITY  
HISTORY AND PROJECTIONS

1977--1983 <sup>1</sup>

YEAR	PER COW		%
	PER YEAR	PER MONTH	
1977	303	25	24
1978	373	31	26
1979	447	37	29
1980	390	33	24
1981	341	28	18
1982	358	30	19
1983	300	25	15

<sup>1</sup> 1977 - 1981 FROM OSU FARM RECORD PROJECT

1982 - 1983 ESTIMATED